

Audit



Report

OFFICE OF THE INSPECTOR GENERAL

DEFENSE BASE REALIGNMENT AND CLOSURE
BUDGET DATA FOR THE CONSTRUCTION OF
FAMILY HOUSING AT NAVAL AIR STATION
PENSACOLA, FLORIDA

Report No. 96-234

September 30, 1996

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Department of Defense

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Acronyms

BRAC	Base Realignment and Closure
MILCON	Military Construction
NAS	Naval Air Station



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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ARLINGTON, VIRGINIA 22202-2884



Report No. 96-234

September 30, 1996

MEMORANDUM FOR ASSISTANT SECRETARY OF THE NAVY (FINANCIAL MANAGEMENT AND COMPTROLLER)

SUBJECT: Audit of Defense Base Realignment and Closure Budget Data for the Construction of Family Housing at Naval Air Station Pensacola, Florida (Project No. 6CG-5001.15)

Introduction

We are providing this audit report for your information and use. The audit was required by Public Law 102-190, "National Defense Authorization Act for Fiscal Years 1992 and 1993," December 5, 1991. Enclosure 1 provides details on the history of the Defense base realignment and closure (BRAC) process and on our auditing and reporting requirements.

This report is one in a series about FY 1997 BRAC military construction (MILCON) costs. The report provides results of the audit of one project, valued at \$9.8 million, to construct 116 family housing units at Naval Air Station (NAS) Pensacola, Florida, as a result of the closure of NAS Memphis, Tennessee.

Audit Results

The Navy properly programmed requirements for project H-406T, "Family Housing." The Navy based project requirements contained in the DD Form 1391, "FY 1997 Military Construction Project Data," for transferring personnel to NAS Pensacola on engineering estimates. The Navy supported engineering estimates with adequate cost data. The Navy properly computed the number of family housing units based on authorized personnel levels for the units relocating to NAS Pensacola. The Navy used criteria in the Naval Facilities Engineering Command Publication P-80, "Facility Planning Criteria for Navy and Marine Corps Shore Installations," September 1993, and a family housing market analysis dated June 1996. The Navy supported the project with adequate documentation.

Audit Objectives

The overall audit objective was to determine the accuracy of BRAC MILCON budget data. The specific objectives were to determine whether the proposed projects were valid BRAC requirements, whether the decision for MILCON was supported with required documentation including an economic analysis, and whether the economic analysis considered existing facilities. The audit also assessed the adequacy of the management control program as it applied to the overall audit objective. The management control program objective will be discussed in a summary report on FY 1997 BRAC MILCON budget data.

Scope and Methodology

Scope of This Audit. We examined the FY 1997 BRAC MILCON budget request, economic analysis, and supporting documentation for family housing requirements for the family housing projects at NAS Pensacola. We did not use computer-processed data or statistical sampling procedures to conduct this audit. See Enclosure 1 for additional information on the overall scope of the audit of BRAC MILCON costs.

Audit Period, Standards, and Locations. This economy and efficiency audit was conducted from April through July 1996, in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD. During the audit, we visited or contacted the Naval Facilities Engineering Command, Alexandria, Virginia; the Southern Division, Naval Facilities Engineering Command, Charleston, South Carolina; and NAS Pensacola, Florida.

Prior Audits and Other Reviews

Since 1991, numerous reports have addressed DoD BRAC issues. Enclosure 2 lists the summary reports for the audits of BRAC budget data for FYs 1992 through 1996 and BRAC audit reports published since the summary reports.

Audit Background

Policy Guidance. DoD Financial Management Regulation, DoD 7000.14-R, volume 2B, "Department of Defense Financial Management Regulation (Budget Presentation and Formulation)," May 1994, requires each MILCON project to be supported by a DD Form 1391. Projects costing more than \$2 million also require an economic analysis. The DD Form 1391 is supposed to provide justification for the project and data, such as a description of the proposed construction and its estimated cost. The Navy uses the Naval Facilities Engineering Command Instruction 11010.44E, "Shore Facilities Planning Manual: A System for the Planning of Shore Facilities," October 1990, for guidance on preparing the DD Form 1391.

DoD Manual 4165.63-M, "DoD Housing Management," September 1993, establishes policy guidance, procedures, and responsibilities on all matters associated with family housing. The manual states, "Communities near the installation are relied on as the primary source of housing for DoD personnel." Military family housing may be programmed to meet long-range requirements in areas where the local community cannot support the family housing needs of military personnel. The installation commander is responsible for planning and programming for the acquisition of family housing.

DoD Manual 4165.63-M also requires a DD Form 1523, "Military Family Housing Justification," to support family housing construction and acquisition programs submitted to the Office of the Secretary of Defense and Congress. The DD Form 1523 provides a tabular analysis of the family housing deficit by

comparing the effective family housing requirement to existing family housing assets based on current and future conditions. Future conditions are projected 5 years out. The DD Form 1523 is similar to the economic analysis required by DoD 7000.14-R.

Effective Family Housing Requirement. The effective family housing requirement is the number of military personnel assigned to an installation who are entitled to family housing. An installation calculates its effective family housing requirement by reducing total personnel strength by the number of transient personnel, the number of unmarried personnel, and the number of voluntarily separated personnel.

Family Housing Assets. An installation commander has two sources of family housing assets to satisfy family housing requirements: military family housing and local family housing near the installation. Communities near the military installation should be used as the primary source to meet the requirements for family housing before programming to build military family housing. The installation uses a market analysis to determine the amount of local family housing that is available for Service members.

Project Justification. Project H-406T was developed because of recommendations made by the 1993 Commission on Defense Base Closure and Realignment (the 1993 Commission) to close NAS Memphis, Tennessee. The 1993 Commission recommended the closure of NAS Memphis and transferred the Naval Air Technical Training Center to NAS Pensacola. The realignment of the training school would require the relocation of 141 officers and 1700 enlisted personnel. The Navy estimated that the additional personnel would generate a need for 179 family housing units. Project H-406T, valued at \$9.8 million, will construct 116 family housing units.

Discussion

The Navy properly programmed requirements and estimates for project H-406T, "Family Housing." The following paragraphs discuss how NAS Pensacola determined the requirements and the results of the market analysis.

Requirements Determination. Project H-406T, valued at \$9.8 million, is for construction of 116 family housing units at Naval Complex Pensacola. The Naval Complex Pensacola includes personnel assigned to NAS Pensacola, Naval Hospital Pensacola, Naval Technical and Training Center Pensacola, Naval Aviation School, and other DoD organizations within the metropolitan area. The Navy determined the effective family housing requirement for long-range total personnel strength for all units assigned to the Naval Complex Pensacola. The Navy relied on the Manpower and Personnel Management Information System to determine its long-range planning numbers. The Manpower and Personnel Management Information System programs personnel strength for an installation 6 years out. The Navy used the 50-percent marriage factor in Naval Facilities Engineering Command Publication P-80 to estimate the number of married personnel. As required by DoD Manual 4165.63-M, the number of units proposed for construction represents 90 percent or less of the projected deficit.

Use of Existing Facilities. Currently, Naval Complex Pensacola has 885 military family housing units and 198 substandard units. The substandard units are scheduled for demolition.

Market Analysis. The Navy contracted for a military family housing market analysis in August 1995. The market analysis determined the extent to which the local community could satisfy anticipated family housing requirements of military families assigned to Naval Complex Pensacola. The market analysis formed the basis for projecting a family housing deficit or surplus to the year 2001. Based on the June 1996 market analysis, the Navy projected a family housing deficit of 515 units in the year 2001. Because the 116 family housing units proposed for construction are significantly fewer than the projected deficit, we consider the project valid and necessary.

Management Comments

We provided a draft of this report to you on August 27, 1996. Because this report contains no recommendations, comments were not required, and no comments were received. Therefore, we are publishing this report in final form.

We appreciate the courtesies extended to the audit staff. For additional information on this report, please contact Mr. Wayne K. Million, Audit Program Director, at (703) 604-9312 (DSN 664-9312) or Mr. John M. Delaware, Audit Project Manager, at (703) 604-9314 (DSN 664-9314). Enclosure 3 lists the planned report distribution. A list of the team members is listed inside the back cover.



Robert J. Lieberman
Assistant Inspector General
for Auditing

Enclosures

Background of Defense Base Realignment and Closure and Scope of the Audit of FY 1997 Defense Base Realignment and Closure Military Construction Costs

Commission on Defense Base Closure and Realignment. On May 3, 1988, the Secretary of Defense chartered the Commission on Defense Base Closure and Realignment (the Commission) to recommend military installations for realignment and closure. Congress passed Public Law 100-526, "Defense Authorization Amendments and Base Closure and Realignment Act," October 24, 1988, which enacted the Commission's recommendations. The law also established the Defense Base Closure Account to fund any necessary facility renovation or MILCON projects associated with BRAC. Public Law 101-510, "Defense Base Closure and Realignment Act of 1990," November 5, 1990, reestablished the Commission. The law also chartered the Commission to meet during calendar years 1991, 1993, and 1995 to verify that the process for realigning and closing military installations was timely and independent. In addition, the law stipulates that realignment and closure actions must be completed within 6 years after the President transmits the recommendations to Congress.

Required Defense Reviews of BRAC Estimates. Public Law 102-190, "National Defense Authorization Act for Fiscal Years 1992 and 1993," December 5, 1991, states that the Secretary of Defense shall ensure that the authorization amount that DoD requested for each MILCON project associated with BRAC actions does not exceed the original estimated cost provided to the Commission. Public Law 102-190 also states that the Inspector General, DoD, must evaluate significant increases in BRAC MILCON project costs over the estimated costs provided to the Commission and send a report to the congressional Defense committees.

Military Department BRAC Cost-Estimating Process. To develop cost estimates for the Commission, the Military Departments used the Cost of Base Realignment Actions computer model. The Cost of Base Realignment Actions computer model uses standard cost factors to convert the suggested BRAC options into dollar values to provide a way to compare the different options. After the President and Congress approve the BRAC actions, DoD realigning activity officials prepare a DD Form 1391, "Military Construction Project Data," for each individual MILCON project required to accomplish the realigning actions. The Cost of Base Realignment Actions computer model provides cost estimates as a realignment and closure package for a particular realigning or closing base. The DD Form 1391 provides specific cost estimates for each BRAC MILCON project.

Limitations and Expansion to Overall Audit Scope. Because the Cost of Base Realignment Actions computer model develops cost estimates as a BRAC package and not for BRAC MILCON projects, we were unable to determine the amount of cost increases for each individual BRAC MILCON project.

Background of Defense Base Realignment and Closure and Scope of the Audit of FY 1997 Defense Base Realignment and Closure Military Construction Costs

Additionally, because of prior audit efforts that determined potential problems with all BRAC MILCON projects, our audit objectives included all large BRAC MILCON projects.

Overall Audit Selection Process. We reviewed the FY 1997 BRAC MILCON \$820.8 million budget submitted by the Military Departments and the Defense Logistics Agency. We excluded projects that were previously reviewed by DoD audit organizations. We grouped the remaining BRAC MILCON projects by location and selected groups of projects that totaled at least \$1 million for each group. We also reviewed those FY 1996 BRAC MILCON projects that were not included in the previous FY 1996 budget submission, but were added as part of the FY 1997 BRAC MILCON budget package.

Summary of Prior Audits and Other Reviews

Since 1991, numerous audit reports have addressed DoD BRAC issues. This enclosure lists the summary reports for the audits of BRAC budget data for FYs 1992 through 1996 and BRAC audit reports published since the summary reports.

Inspector General, DoD

<u>Report No.</u>	<u>Report Title</u>	<u>Date</u>
96-226	Defense Base Realignment and Closure Budget Data for the Closure of Stratford Army Engine Plant, Stratford, Connecticut	September 18, 1996
96-223	Defense Base Realignment and Closure Budget Data for the Construction of Family Housing at Altus Air Force Base, Oklahoma	September 22, 1996
96-222	Defense Base Realignment and Closure Budget Data for the Construction of Family Housing at Naval Air Station Fallon, Nevada	September 22, 1996
96-220	Defense Base Realignment and Closure Budget Data for Closure of Marine Corps Air Station Tustin, California, and Realignment of Helicopter Squadrons and Aircraft to Marine Corps Air Station Camp Pendleton, California	September 13, 1996
96-218	Quick Reaction Report on Defense Base Realignment and Closure Budget Data for the Closure of Naval Air Station Barbers Point, Hawaii, and Realignment to Marine Corps Base Hawaii Kaneohe Bay	September 4, 1996
96-209	Defense Base Realignment and Closure Budget Data for the Closure of Defense Electronics Supply Center Dayton, Ohio, and Realignment to Defense Supply Center Columbus, Ohio	August 13, 1996
96-206	Defense Base Realignment and Closure Budget Data for the Realignment of Navy and Air Force Food Services Training at Lackland Air Force Base, Texas	August 2, 1996

Summary of Prior Audits and Other Reviews

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<u>Report No.</u>	<u>Report Title</u>	<u>Date</u>
96-204	Defense Base Realignment and Closure Budget Data for the Realignment of the Deployment Function for the 10th Mountain Infantry (Light) Division to Fort Drum, New York	July 31, 1996
96-199	Defense Base Realignment and Closure Budget Data for the Realignment of the Defense Distribution Depot Columbus, Ohio	July 25, 1996
96-191	Defense Base Realignment and Closure Budget Data for the Relocation of the Carrier Air Wings From Naval Air Station Miramar, California, to Naval Air Station Lemoore, California	July 3, 1996
96-171	Defense Base Realignment and Closure Budget Data for Realigning the Office of the Judge Advocate General and the Naval Facilities Engineering Command to the Washington Navy Yard	June 21, 1996
96-170	Defense Base Realignment and Closure Budget Data for the Realignment of Five Navy Activities From Leased Space in Arlington, Virginia, to the Naval Security Station, Washington, D.C.	June 19, 1996
96-166	Defense Base Realignment and Closure Budget Data for the Closure of Lowry Air Force Base, Colorado, and Realignment to Sheppard Air Force Base, Texas	June 18, 1996
96-165	Defense Base Realignment and Closure Budget Data for the Construction of the Hazardous Material Storage Addition to Warehouse 28 at Defense Distribution Region West Tracy, California	June 17, 1996
96-158	Defense Base Realignment and Closure Budget Data for the Redirect of the 726th Air Control Squadron From Shaw Air Force Base, South Carolina, to Mountain Home Air Force Base, Idaho	June 11, 1996

Summary of Prior Audits and Other Reviews

Inspector General, DoD (cont'd)

<u>Report No.</u>	<u>Report Title</u>	<u>Date</u>
96-154	Defense Base Realignment and Closure Budget Data for the Realignment of the National Airborne Operations Center to Wright-Patterson Air Force Base, Ohio	June 10, 1996
96-147	Defense Base Realignment and Closure Budget Data for the Closure of Naval Training Center Orlando, Florida, and Realignment of Maintenance and Storage Facilities to Taft U.S. Army Reserve Center, Orlando, Florida	June 6, 1996
96-144	Defense Base Realignment and Closure Budget Data for the Realignment of Grissom Air Reserve Base, Indiana	June 6, 1996
96-142	Defense Base Realignment and Closure Budget Data for the Closure of Bergstrom Air Reserve Base, Texas, and Realignment of the 10th Air Force Headquarters to Naval Air Station Fort Worth, Joint Reserve Base, Texas	June 5, 1996
96-139	Defense Base Realignment and Closure Budget Data for the Closure of Griffiss Air Force Base and Realignment of Rome Laboratory and Northeast Air Defense Sector, Rome, New York	June 3, 1996
96-137	Defense Base Realignment and Closure Budget Data for the Realignment of March Air Force Base, Riverside, California	May 31, 1996
96-136	Defense Base Realignment and Closure Budget Data for the Closure of Gentile Air Force Station, Dayton, Ohio, and Realignment of Defense Logistics Agency Components to Wright-Patterson Air Force Base, Ohio	May 31, 1996
96-135	Defense Base Realignment and Closure Budget Data for the Fleet Anti-Submarine Warfare Training Center Pacific, San Diego, California	May 30, 1996

Summary of Prior Audits and Other Reviews

Inspector General, DoD (cont'd)

<u>Report No.</u>	<u>Report Title</u>	<u>Date</u>
96-131	Defense Base Realignment and Closure Budget Data for Realigning Elements of Headquarters, Department of the Navy, to the Washington Navy Yard	May 28, 1996
96-128	Defense Base Realignment and Closure Budget Data for the Naval Training Center Great Lakes, Illinois	May 24, 1996
96-127	Defense Base Realignment and Closure Budget Data for the Closure of Roslyn Air National Guard Base and Realignments to Stewart Air National Guard Base, New York	May 23, 1996
96-126	Defense Base Realignment and Closure Budget Data for the Realignment of Rickenbacker Air National Guard Base, Ohio	May 21, 1996
96-122	Defense Base Realignment and Closure Budget Data for the Realignment of the Air Education and Training Command at Vandenberg Air Force Base, California	May 17, 1996
96-119	Defense Base Realignment and Closure Budget Data for the Construction of a Multiple Purpose Facility at Fort McCoy, Wisconsin	May 14, 1996
96-118	Defense Base Realignment and Closure Budget Data for the Medical and Dental Clinic Expansion Project at Naval Weapons Station Charleston, South Carolina	May 13, 1996
96-116	Defense Base Realignment and Closure Budget Data for the Relocation of Deployable Medical Systems to Hill Air Force Base, Ogden, Utah	May 10, 1996
96-112	Defense Base Realignment and Closure Budget Data for the Closure of Naval Air Station Cecil Field, Florida, and Realignment of the Aviation Physiology Training Unit to Naval Air Station Jacksonville, Florida	May 7, 1996

Summary of Prior Audits and Other Reviews

Inspector General, DoD (cont'd)

<u>Report No.</u>	<u>Report Title</u>	<u>Date</u>
96-110	Defense Base Realignment and Closure Budget Data for the Realignment of the 301st Rescue Squadron, Air Force Reserve, From Homestead Air Force Base, Florida, to Patrick Air Force Base, Florida	May 7, 1996
96-108	Defense Base Realignment and Closure Budget Data for the Naval Shipyard, Philadelphia, Pennsylvania	May 6, 1996
96-104	Defense Base Realignment and Closure Budget Data for the Construction of the Overwater Antenna Test Range Facility at Newport, Rhode Island	April 26, 1996
96-101	Defense Base Realignment and Closure Budget Data for the Closure of Naval Air Station Barbers Point, Hawaii, and Realignment of P-3 Aircraft Squadrons to Naval Air Station Whidbey Island, Washington	April 26, 1996
96-093	Summary Report on the Audit of Defense Base Realignment and Closure Budget Data for FYs 1995 and 1996	April 3, 1996
94-040	Summary Report on the Audit of Defense Base Closure and Realignment Budget Data for FYs 1993 and 1994	February 14, 1994
93-100	Summary Report on the Audit of Defense Base Closure and Realignment Budget Data for Fiscal Years 1992 and 1993	May 25, 1993

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